



UNIVERSITY OF THE PUNJAB

Roll No.

Seventh Semester 2018
Examination: B.S. 4 Years Programme

PAPER: International Trade Theory
Course Code: ECON-401

TIME ALLOWED: 30 mins.
MAX. MARKS: 10

Attempt this Paper on this Question Sheet only.

Objective Part

- Q: 1 Choose the correct option. (10)
- The Heckscher-Ohlin theory explains comparative advantage as the result of differences in countries':
 - Economies of large scale production
 - Relative costs of labour
 - Relative abundance of various resources
 - Research and Development
 - Which trade theory suggests that comparative advantage tends to shift from one nation to another as a product matures?
 - Intra-industry trade theory
 - Inter-industry trade theory
 - Overlapping demand theory
 - Product cycle theory
 - A tax of 20 rupees per unit of imported cheese is an example of
 - Compound tariff
 - Specific tariff
 - Ad valorem tariff
 - Effective tariff
 - Which international organization stipulates procedures for the settlement of international trade disputes?
 - World Bank
 - World Trade Organization
 - International Monetary Fund
 - Organization of Economic Development
 - A fall in the price of imports or a rise in the price of exports will
 - Improve the terms of trade
 - Worsen the terms of trade
 - Expand the production possibilities curve
 - Contract the production possibilities curve
 - The equilibrium international terms of trade is given by the intersection of two nation's
 - Demand curves
 - Indifference curves
 - Offer curves
 - Production possibilities curve

P.T.O.

7. Unlike the mercantilist, Adam Smith maintained that
 - a. Trade benefits one nation only at the expense of another nation
 - b. Government control of trade leads to maximum economic welfare
 - c. All nations can gain from free international trade
 - d. The world's output of goods must remain constant over time

8. If a production possibilities curve is *bowed out* (i.e., concave) in appearance, production occurs under conditions of
 - a. Constant opportunity cost
 - b. Increasing opportunity cost
 - c. Decreasing opportunity cost
 - d. Zero opportunity cost

9. According to Ricardo, a country will have a comparative advantage in the product in which its
 - a. Labour productivity is relatively low
 - b. Labour productivity is relatively high
 - c. Labour mobility is relatively low
 - d. Labour mobility is relatively high

10. If Australia has more land per worker, and Belgium has more capital per worker, then if trade were to open up between these two countries,
 - a. Australia would export the land intensive product
 - b. Belgium would import the capital intensive product
 - c. Trade would not continue since Belgium is a small country
 - d. None of the above



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TIME ALLOWED: 2 hrs. & 30 mins.
MAX. MARKS: 50

Attempt this Paper on Separate Answer Sheet provided.

Subjective Part

- Q: 2 Give short answers to the following questions. (20)
1. Define increasing opportunity cost and explain its reason.
 2. What is transfer problem?
 3. What does factor price equalization theorem postulate?
 4. What is intra-industry trade? How it can be measured?
 5. What is meant by trade diversion? Explain.
- Q: 3 Explain Heckscher-Ohlin model of international trade. (10)
- Q: 4 How can international trade take place according to product cycle model? (10)
- Q: 5 Analyze general equilibrium effects of the imposition of a tariff in case of small country. (10)



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Subjective Part

- Q: 2 Give short answers to the following questions. (20)
1. What is Optimum tariff?
 2. Explain the Stolper-Samuelson Theorem.
 3. Explain the Rybzynski theorem.
 4. Explain the product cycle theory of international trade.
 5. Explain the concept of Factor Intensity Reversal.
- Q: 3 What does factor price equalization theorem postulate? What is its relationship to the international mobility of factors of production? (10)
- Q: 4 Explain the theory of comparative advantage given by David Ricardo. (10)
- Q: 5 What are the objectives of World Trade Organization (WTO)? Discuss the possible impacts of WTO on less developed country like Pakistan. (10)



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TIME ALLOWED: 30 mins.
MAX. MARKS: 10

Attempt this Paper on this Question Sheet only.

- Q: 1 Choose the correct option. Objective Part (10)**
1. According to Stolper-Samuelson theorem which factor of production is harmed with the opening of international trade:
a. The Abundant Factor b. The Scarce Factor
c. Both Abundant and Scarce Factor d. None of the above
 2. Classical trade theory emphasized which one of the following as an underlying explanation of the basis for trade?
a) Productivities of labor inputs b) Tastes and preferences among nations
c) Changes in technologies over time d) Quantities of economic resources
 3. Similar to import tariff, the import quota tends to result in
a. Higher prices and reduced imports b. Increased Govt. revenue
c. Increased consumer surplus d. Decreased producer surplus
 4. Which of the following theory postulates that a nation will export the commodity whose production requires the intensive use of the factor which is relatively abundant and cheap in the nation:
a. The Linder theory b. The intra-industry trade theory
c. The Heckscher-Ohlin theory d. The absolute advantage theory
 5. Which trade theory suggests that a newly produced good, once exported, could ultimately end up being imported as the technology is transferred to lower-cost nations?
a. Factor Endowment Theory b. Overlapping demand theory
c. Product cycle theory d. Comparative advantage theory
 6. Which international organization stipulates procedures for the settlement of international trade disputes?
a. World Trade Organization b. World Bank
c. International Monetary Fund d. United Nations
 7. In the absence of trade a nation is in equilibrium where the community indifference curve
a. Lies above its production possibility curve
b. Is tangent to its production possibility curve
c. Intersects its production possibility curve
d. Lies below its production possibility curve
 8. From the late 1940s until the creation of WTO which organization was responsible for conducting rounds of trade negotiations?
a. International Trade Organization b. GATT
c. United Nations d. IBRD
 9. A concave to origin production possibilities curve refer to
a. Constant Cost b. Increasing Cost
c. Decreasing Cost d. None of the above
 10. Which of the following is not an example of foreign direct investment?
a. the construction of a new auto assembly plant overseas
b. the acquisition of an existing steel mill overseas
c. the purchase of bonds or stock issued by a textile company overseas
d. the creation of a wholly owned business firm overseas



UNIVERSITY OF THE PUNJAB
Seventh Semester – 2019
Examination: B.S. 4 Years Program

Roll No. in Fig.

Roll No. in Words.

PAPER: International Trade Theory
Course Code: ECON-401 Part-I (Compulsory)

MAX. TIME: 15 Min.
MAX. MARKS: 10

Signature of Supdt.:

Attempt this Paper on this Question Sheet only.
Please encircle the correct option. Division of marks is given in front of each question.
This Paper will be collected back after expiry of time limit mentioned above.

Q.1. Encircle the right answer, cutting and overwriting is not allowed. (1x10=10)

1. The Stolper-Samuelson theorem predicts
 - a) which factors are abundant
 - b) the level of productivity of exports
 - c) which goods will be exported
 - d) income distribution effects of trade
2. Tariffs re-allocate income from
 - a) Consumers to producers
 - b) Producers to consumers
 - c) Govt. to producers
 - d) Consumers to foreigners
3. A nation engaging in international trade according to the Ricardian model will find its consumption bundle
 - a) inside its production possibilities frontier
 - b) on its production possibilities frontier
 - c) outside its production possibilities frontier
 - d) on its trade partner's production possibilities frontier
4. Using the HO model, assume that the United States is capital abundant and Mexico is labor abundant. If soybeans are capital intensive and avocados are labor intensive, it would be reasonable to expect the United States to
 - a) specialize completely in soybean production
 - b) specialize completely in avocado production
 - c) increase soybean production, but still produce some avocados
 - d) increase avocados production, but still produce some soybean
5. Intra-industry trade depends on what two characteristics of the industry and market
 - a) Diseconomies of scale and homogenous products
 - b) Non-tariff barriers and large scale foreign investment
 - c) Govt. subsidies and industrial policy
 - d) Economies of scale and differentiated products

P.T.O.



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Seventh Semester – 2019

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Roll No.

PAPER: International Trade Theory

Course Code: ECON-401 Part – II

MAX. TIME: 2 Hrs. 45 Min.

MAX. MARKS: 50

ATTEMPT THIS (SUBJECTIVE) ON THE SEPARATE ANSWER SHEET PROVIDED

Q.2. Give short answers to the following questions.

(5 x 4 = 20)

1. Briefly explain the absolute advantage theory.
 2. Explain the concept of optimal tariff.
 3. Explain the benefits of Multinational firms for host country.
 4. Discuss about dumping and anti-dumping duties.
 5. What are voluntary export restrictions?
- Q.3 How does international trade affect factor prices? Discuss in the light of factor price equalization theorem. (10)
- Q.4 According to product cycle model dynamic changes in technology among nations provide basis for international trade? Explain. (10)
- Q.5 Explain the trade creation and trade diversion effects of forming a custom union. (10)



Q.1. Answer the following short questions: (5x6=30)

1. What is trade diversion?
2. Explain the concept of voluntary export restrictions.
3. Discuss any four major trade rules of WTO.
4. Briefly discuss the advantages of foreign direct investment.
5. What is meant by optimal tariff? Explain.

Answer the following questions. (3x10=30)

- Q.2** Explain the Ricardian model of international trade and also discuss the gains from trade under this model.
- Q.3** What does factor price equalization theorem postulate? Explain this theorem using suitable diagrams.
- Q.4** Discuss the product cycle theory of international trade. How does it explain the pattern of trade under dynamic comparative advantage?



UNIVERSITY OF THE PUNJAB

B.S. 4 Years Program / Seventh Semester – Spring 2022

Paper: International Trade Theory

Course Code: ECON-401

Roll No.

Time: 3 Hrs. Marks: 60

THE ANSWERS MUST BE ATTEMPTED ON THE ANSWER SHEET PROVIDED

Q.1. Answer the following short questions: (5x6=30)

- 1) Briefly explain Mercantilist's view of international Trade.
- 2) What is meant by terms of trade (TOT)? How is TOT determined?
- 3) How can international trade be related to a nation's standard of living?
- 4) Explain the concept of Optimum tariff.
- 5) Explain the difference between Balance of payments and Balance of trade?

Answer the following questions. (3x10=30)

Q.2. How the Ricardian principle of comparative advantage is superior to Adam Smith's principle of Absolute Advantage? Explain with the help of suitable examples.

Q.3. Compare and contrast the partial equilibrium effects of the imposition of an import quota and an import tariff.

Q.4. What is meant by new protectionism? What are its various tools? Explain with the help of suitable examples.



UNIVERSITY OF THE PUNJAB

B.S. 4 Years Program / Eighth Semester – Spring 2022

Roll No.

Paper: International Trade

Course Code: ECON-404 A

Time: 3 Hrs. Marks: 60

THE ANSWERS MUST BE ATTEMPTED ON THE ANSWER SHEET PROVIDED

Q.1. Give short answers to the following concepts. (5x6=30)

- i. Import quota
- ii. Comparative advantage
- iii. Terms of trade
- iv. Factor abundance
- v. Marginal rate of transformation

Q.2. Write detailed answers to the following questions. (3x10=30)

- i. Explain rate of effective protection with the help of example.
- ii. Explain with the help of graphs how exports subsidies affect consumers.
- iii. Explain how countries get advantage from trade under increasing costs.